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Microsoft Corporation v Act Ingtegrated System Sdn Bhd

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COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO W-02–307 OF 2009
ZALEHA ZAHARI, MOHD HISHAMUDIN AND LINTON ALBERT JJCA
9 OCTOBER 2012

C

Civil Procedure — Appeal — Discharge of burden — Interference by appellate court — Whether High Court judge erred in his finding that appellant had not proved its case — Whether warranted appellate interference

D

Evidence — Burden of proof — Discharge of burden — Infringement of copyright — Whether appellant had discharged its burden — Affidavit evidence — Whether High Court judge erred in ignoring affidavit evidence of appellant's private investigator and computer technician

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The appellant, a globally renowned company, was the copyright owner of computer programmes while the respondent sells computers. The appellant claimed that the respondent had sold a computer installed with the appellant's software without the appellant's consent to one Nur Ezza Saad ('Nur'), a private investigator engaged by the appellant. The appellant thus commenced a writ action against the respondent. It was the appellant's case that the respondent's act of reproducing and marketing pirated copies of the appellant's computer programmes without the appellant's consent, licence or permission constituted an infringement of the appellant's copyright. At case management, the parties were directed that the case be heard by way of affidavit evidence. In compliance with this direction the appellant filed five affidavits, namely three affidavits affirmed by its corporate attorney, the affidavit of Nur and the affidavit of a computer technician engaged by the appellant. A director of the respondent company affirmed and filed two affidavits denying that it had infringed the appellant's copyright and claiming that the computer sold to Nur had not contained any software or disk operating system ('DOS'). The respondent's director also maintained that since its incorporation the respondent only sold original copies of the appellant's products. The High Court judge found that the appellant had not proved its case and thus dismissed the appellant's claim. This was the appellant's appeal against that decision.

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Held, dismissing the appeal with costs:

(1) (per **Zaleha Zahari JCA**) The unsigned and undated report by Nur (NES 1) annexed to the corporate attorney's affidavit, failed to explain why the

computer purchased by Nur was sent to a legal firm, which had no expertise to verify an alleged infringement of copyright, for 'software verification'. The appellant's failure to explain or confirm that the said computer had not been tampered with before it was examined by a computer technician 13 days later was fatal to its case. Further, although the computer technician claimed in his report that he was a 'Juruteknik bertauliah' it was not confirmed that he had the necessary expertise to conduct the examination which he did. This would affect the weight to be given to this report. In the circumstances, not much weight could be given to NES1 or to the findings in the computer technician's report (see paras 6–7).

(2) (per **Linton Albert JCA**) The appellant relied principally on the affidavit of its corporate attorney but this affidavit fell far short of establishing that the respondent had infringed the appellant's copyright because the attorney had not deposed to his personal knowledge of the circumstances of the alleged infringement but relied on some dubious reports, which were unsigned or unattributed to any particular person. Since the infringement of copyright attributed to the respondent remained unestablished, there was nothing for the respondent to rebut (see paras 44–45).

(3) (per **Mohd Hishamudin JCA, dissenting**) The High Court judge based his judgment solely on the affidavits of the appellant's corporate attorney and had ignored the affidavit evidence of the appellant's other witnesses, namely Nur and the computer technician. However, the appellant had placed much reliance on the affidavit evidence of Nur and the computer technician to establish its case that there was an act of infringement of its copyright committed by the respondent. In NES1, Nur had reported that one Eddie Tan, the respondent's employee who had sold the computer to Nur, had informed her that the computer programme installed in the computer was a pirated copy and thus no warranty was given for the software. However, Eddie Tan did not depose any affidavit to deny Nur's averments. Further, the computer technician had verified in his affidavit that the software installed in the computer purchased by Nur was unlicensed. As such, if the High Court judge had examined the appellant's evidence in its entirety he would have made a finding in favour of the appellant (see paras 28, 31–32, 34 & 39).

(4) (per **Mohd Hishamudin JCA, dissenting**) The High Court judge erred by attaching any weight to the respondent's affidavit evidence that the computer sold to Nur was without a DOS and hard disk. It was elementary that the very essence of a physical computer is the hard disk ie where computer data is stored. As such, the respondent's explanation did not make any sense (see para 38).

[Bahasa Malaysia summary

Perayu, sebuah syarikat yang terkenal seluruh dunia, merupakan pemilik hak cipta program-program komputer manakala responden menjual komputer. Perayu mendakwa bahawa responden telah menjual komputer yang dipasang dengan perisian perayu tanpa persetujuan perayu kepada Nur Ezza Saad ('Nur'), seorang penyiasat peribadi yang dilantik oleh perayu. Perayu dengan itu telah memulakan writ tindakan terhadap responden. Adalah kes perayu bahawa tindakan responden menghasilkan semula dan memasarkan salinan-salinan cetak rompak program-program komputer perayu tanpa persetujuan, lesen atau kebenaran perayu membentuk pelanggaran hak cipta perayu. Dalam pengurusan kes, pihak-pihak diarahkan agar kes didengar melalui keterangan afidavit. Dengan mematuhi arahan itu perayu telah memfailkan lima afidavit, iaitu tiga afidavit yang disahkan oleh peguam korporatnya, afidavit Nur dan afidavit juruteknik komputer yang dilantik oleh perayu. Seorang pengarah syarikat reponden telah mengesahkan dan memfailkan dua afidavit menafikan bahawa ia telah melanggar hak cipta perayu dan mendakwa bahawa komputer yang dijual kepada Nur tidak mengandungi apa-apa perisian atau sistem operasi disket ('SOD'). Pengarah responden juga menegaskan bahawa sejak pemerbadanannya responden hanya menjual salinan asal produk-produk perayu. Hakim Mahkmah Tinggi mendapati bahawa perayu tidak dapat membuktikan kesnya dan oleh itu menolak tuntutan perayu. Ini adalah rayuan perayu terhadap keputusan tersebut.

Diputuskan, menolak rayuan dengan kos:

(1) (oleh **Zaleha Zahari HMR**) Laporan yang tidak ditandatangani dan tidak bertarikh oleh Nur ('NES1') yang dilampirkan kepada afidavit peguam korporat telah gagal menjelaskan kenapa komputer yang dibeli oleh Nur dihantar kepada firma guaman yang tidak mempunyai kepakaran mengesahkan pelanggaran hak cipta yang dikatakan itu, untuk 'software verification'. Kegagalan perayu untuk menjelaskan atau mengesahkan bahawa komputer tersebut tidak dibega sebelum ia diperiksa oleh juruteknik komputer 13 hari kemudian telah memudarat kesnya. Selanjutnya, walaupun juruteknik komputer itu mendakwa di dalam laporannya bahawa dia merupakan 'juruteknik bertauliah' ia tidak mengesahkan bahawa dia mempunyai kepakaran yang perlu untuk melaksanakan pemeriksaan yang dilakukannya. Ini akan menjejaskan beban yang terletak pada laporan ini. Dalam keadaan berikut, tidak banyak beban diletakkan kepada NES1 atau terhadap penemuan di dalam laporan juruteknik komputer itu (lihat perenggan 6–7).

(2) (oleh **Linton Albert HMR**) Perayu amat bergantung kepada afidavit-afidavit peguam korporatnya tetapi afidavit ini tidak langsung membuktikan bahawa responden telah melanggar hak cipta perayu kerana peguam tidak mendeposkan pengetahuan peribadinya

berhubung keadaan pelanggaran yang dikatakan itu tetapi bergantung kepada laporan-laporan yang meragukan, yang tidak ditandatangani atau tidak berkenaan dengan mana-mana orang tertentu. Oleh kerana pelanggaran hak cipta berpunca daripada responden masih tidak dapat dibuktikan, tiada apa untuk dipatahkan oleh responden (lihat perenggan 44–45).

(3) (oleh **Mohd Hishamudin HMR, menentang**) Hakim Mahkamah Tinggi mengasaskan penghakiman beliau hanya kepada afidavit-afidavit peguam korporat dan tidak mengambil kira keterangan afidavit saksi-saksi lain perayu, iaitu Nur dan juruteknik komputer itu. Walau bagaimanapun, perayu telah meletakkan kebergantungan ke atas keterangan afidavit Nur dan juruteknik komputer itu untuk membuktikan kesnya bahawa terdapat tindakan pelanggaran hak ciptanya yang telah dilakukan oleh responden. Dalam NES1, Nur telah melaporkan bahawa Eddie Tan, pekerja responden yang telah menjual komputer itu kepada Nur, telah memberitahunya bahawa program komputer yang dipasang dalam komputer itu adalah salinan cetak rompak dan oleh itu tiada waranti diberikan untuk perisian itu. Walau bagaimanapun, Eddie Tan tidak mendeposkan apa-apa afidavit untuk menafikan penegasan Nur. Bahkan, juruteknik komputer itu telah mengesahkan dalam afidavitnya bahawa perisian yang dipasang dalam komputer yang dibeli oleh Nur tidak berlesen. Oleh itu, jika hakim Mahkamah Tinggi telah memeriksa keterangan perayu secara keseluruhannya beliau mungkin akan membuat penemuan yang menyebelahi perayu (lihat perenggan 28, 31–32, 34 & 39).

(4) (oleh **Mohd Hishamudian HMR, menentang**) Hakim Mahkamah Tinggi terkhilaf kerana meletakkan beban keterangan afidavit responden bahawa komputer yang dijual kepada Nur adalah tanpa DOS dan disket perkakasan. Adalah pengetahuan asas bahawa kewujudan komputer fizikal adalah pada disket perkakasan iaitu di mana data komputer disimpan. Oleh itu, penjelasan responden tidak masuk akal (lihat perenggan 38).]

Notes

For cases on interference by appellate court, see 2(1) *Mallal's Digest* (4th Ed, 2012 Reissue) paras 1217–1245.

Cases referred to

S & F International Limited v Trans-con Engineering Sdn Bhd [1985] 1 MLJ 62; [1985] 2 CLJ 228, FC (refd)

Appeal from: Suit No D5 (IP)-22–445 of 2008 (High Court, Kuala Lumpur)

Kenneth St James (Harleen Kaur with him) (Michael Chai & Co) for the appellant.

Annou Xavier (Phang Kian Chung with him) (Azri, Lee Swee Seng & Co) for the respondent.

Zaleha Zahari JCA:

[1] This judgment is supplemental to the judgment of my brother Linton Albert JCA which I have read in draft and to which I am in agreement with.

[2] The record shows that the case under appeal was commenced by way of writ of summons. The proceedings however in the High Court proceeded by way of affidavit evidence. Numerous affidavits were exchanged, the plaintiff in support of their contentions, the defendant taking issue with the averments of the plaintiff's affidavit and then setting out their own version as to what transpired on 9 September 2006 at their business premises and the reason why the claim should be dismissed.

[3] The correctness of the procedure adopted in the High Court has not been raised as an issue for us to determine in this appeal. This accordingly is a non issue. If indeed parties had proceeded in the manner that they did because it was at the direction of the High Court judge, it is abundantly clear that there was a dispute as to facts requiring an assessment as to the credibility of witness. It was open for either party in this situation to have given notice to the other to cross examine the respective deponent concerned. This however was not done. As matters stood at the end of hearing before the High Court, and at the hearing this appeal, a decision had to be made based on the affidavits which contained disputed facts.

[4] The issue for determination in this appeal was whether the High Court judge was right in ruling that the plaintiff had not discharged the burden of proof that lies upon them and consequently, in dismissing the plaintiff's claim?

[5] It is trite law that the standard of proof that lies on the plaintiff in this case was on a balance of probabilities. A fact is said to be proved when, after considering the evidence before it, the court either believe it to exist or consider its existence so probable that a prudent person ought under the circumstances of a particular case, to act upon the supposition that it exists.

[6] The main thrust of the plaintiff's case rests on exh 'NES1' annexed to the Jonathan a/l Selvasegaran ('Jonathan') affirmed on 22 September 2009, which referred to Nur Ezza Saad's ('Nur Ezza') affidavit also affirmed on 22 September 2008. I am of the view that even if these two affidavits were to be read together, and that the unsigned and undated report in 'NES1' was made by Nur Ezza, what transpired when Nur Ezza went to the defendant's premises on

9 September 2006, clearly were strongly disputed by the defendant. It is to be further noted that according to report 'NES1' the 'sample purchase' obtained by Nur Ezza was sent that same day (9 September 2006) to Messrs Raja Darryl and Loh for 'software verification'. As submitted by the respondent's counsel why was the said exhibit sent to this firm? From my understanding, this firm is a legal firm, not a firm having the expertise to verify an alleged infringement of copyright.

[7] As for exh 'JS8' relied upon by the plaintiff, and the avernments contained in affidavit of Izanee bin Ariffin ('Izanee') affirmed on 22 September 2008, Izanee only carried out an examination of what was sent to Messrs Raja Darryl and Loh on 22 September 2006 ie 13 days later. Who had custody of the 'sample purchase' during this period whilst this exhibit was under the custody of Messrs Raja Darryl and Loh had not been explained and to confirm that it had not been tampered with before the said exhibit was examined by a qualified person and submit his findings. The failure to explain this gap in my view was fatal. Further, on the report made by Izanee, (exh JS8), there was a bare statement that Izanee was a 'Juruteknik bertauliah'. His qualification has not been held out to confirm that he was indeed a qualified person and had the necessary expertise to conduct the examination which he did. The failure to do so in my view certainly affected the weight to be given to the report, exh JS8.

[8] I am accordingly in these circumstances in agreement with the findings of the learned High Court judge, though for different reasons, that not much weight can be given to both the investigation report 'NES1', as well as the findings in report exh JS8.

[9] To conclude, I am of the view that the learned High Court judge was right in ruling that based on the evidence before him the plaintiff had not proved their case and in dismissing the plaintiff's claim.

[10] For the above reasons I dismissed the appeal with costs.

Mohd Hishamudin JCA (dissenting):

[11] This is an appeal against the decision of the High Court of Kuala Lumpur (Commercial Division) given on 16 February 2009.

[12] The learned High Court judge, in his decision, had dismissed the appellant's/plaintiff's action against the respondent/defendant for infringement of copyright.

[13] I am allowing the appeal with costs.

[14] The appellant/plaintiff in this appeal is Microsoft Corporation ('Microsoft'), a globally recognised and renowned company involved in designing, producing, marketing and supporting a wide range of computer related products. Microsoft is also the copyright owner of a wide range of computer related products, including, amongst others, computer programmes.

[15] The respondent/defendant is a company incorporated in Malaysia dealing with computers and computer accessories.

[16] Microsoft commenced this action against the respondent/defendant for infringing Microsoft's copyright by reproducing and marketing pirated copies of Microsoft's computer programmes without Microsoft's consent, licence or permission.

[17] Before the High Court the appellant/plaintiff sought an injunction to restrain the respondent/defendant from infringing its copyright; and other incidental reliefs. The appellant/plaintiff also claimed for general damages (to be assessed).

[18] But the High Court had dismissed the appellant's/plaintiff's action.

[19] Hence, there is this appeal before this court (Court of Appeal).

[20] The writ and statement of claim were filed on 7 April 2008.

[21] The statement of defence was filed on 6 June 2008. The respondent/defendant denies the appellant's/plaintiff's allegation.

[22] The appellant's/plaintiff's reply was filed on 7 July 2008.

[23] When the case came up for case management before the High Court judge on 9 September 2008, the learned judge directed that the case be heard by way of affidavit evidence. Accordingly, the parties were directed to file and serve their respective affidavits.

[24] This mode of proceeding is extremely unusual. This is a writ action. There should have been a normal trial held where witnesses are called to give oral evidence; and are cross-examined and re-examined. Particularly, where there are in this case disputes as to facts. There is nothing on record to show that this mode of proceeding as directed by the learned judge (that is, by way of affidavit evidence only) was on the application of a party to the action. Even on

the affidavit evidence, there is no cross-examination of deponents, although, as I have said earlier, there are disputes as to facts. The whole procedure is, with respect, rather irregular.

[25] Be that as it may, the appellant/plaintiff is not raising an issue on the mode of 'trial' (but, strictly, there was no trial).

[26] In compliance with the direction of the learned High Court judge, the appellant/plaintiff filed and served five affidavits, namely:

(a) the affidavit of one Jonathan a/l Selvasegaram ('Jonathan'), Microsoft's corporate attorney, affirmed on 22 September 2008 (Jonathan's first affidavit);

(b) the affidavit of one Nur Ezza Saad ('Nur Ezza'), a private investigator engaged by the appellant/plaintiff, affirmed on 22 September 2008 ('Nur Ezza's affidavit');

(c) the affidavit of one Izanee bin Ariffin ('Izanee Ariffin'), a computer technician engaged by the appellant/plaintiff, affirmed on 22 September 2008 (Izanee Ariffin's affidavit');

(d) the second affidavit of Jonathan affirmed on 23 October 2008; and

(e) the third affidavit of Jonathan affirmed on 15 December 2008.

[27] The respondent/defendant, on their part, filed and served two affidavits, namely:

(a) the affidavit of one Te Peng Keat, a director of the defendant company (ACT Integrated System Sdn Bhd), affirmed on 3 October 2008; and

(b) the second affidavit of Te Peng Keat affirmed on 2 December 2008.

[28] In my judgment, it is obvious from the learned judge's grounds of judgment that the learned judge, with respect, after having directed parties to file affidavits, based his judgment solely on the affidavits of one witness only, namely, the affidavits of Jonathan; and had ignored the affidavit evidence of the appellant's/plaintiff's other witnesses, that is to say, the affidavits of Nur Ezza and Izanee Ariffin.

[29] Jonathan's affidavit evidence was adduced primarily to establish Microsoft's copyright ownership in Microsoft Windows XP Professional and Microsoft Office Professional Edition 2003.

[30] That the learned judge merely confined his inquiry to the affidavits of Jonathan is obvious when he averred at para 6 of his grounds of judgment:

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6. The plaintiff's case rests on the affidavit evidence of one Jonathan a/l Selvasegaram (a Malaysia citizen working in Singapore). The entire allegations made by the deponent pertaining to the alleged infringement by the defendant rests solely on an unknown investigation report found in the plaintiff's affidavit.

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[31] If we were to examine the appellant's/plaintiff's case, we will appreciate that the appellant/plaintiff also places much reliance on the affidavit evidence of Nur Ezza and Izanee Ariffin in order to establish its case that there was an act of infringement of its copyright committed by the respondent/defendant.

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[32] If we were to examine the affidavit of the private investigator, Nur Ezza, we will note that she has averred to the following pertinent facts:

(a) that she went to the respondent's/defendant's outlet/premises on 9 September 2006;

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(b) that the respondent's/defendant's employee by the name of Eddie Tan attended to her;

(c) that after she agreed to the quoted price of RM1,100 for a computer;

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(d) that Eddie Tan on his own accord told her that he would hard-disk load Microsoft's software into the computer; and that Eddie Tan informed and assured her that the computer would be ready for use;

(e) that Eddie Tan tested out the computer by demonstrating the computer's

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functionalities;

(f) that during the test by Eddie Tan she saw Microsoft Windows XP (operating software) on the start-up screen and that she further saw Microsoft Office (application software) programmes;

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(g) that she purchased the computer with the infringed copy of the Microsoft's software (the respondent's/defendant's invoice No 27318, is exhibited as exh JS7 in the appellant's/plaintiffs affidavit (1).

(h) that Eddie Tan told her that the respondent's/defendant's customers

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would receive a warranty for Microsoft Windows XP only if they were to purchase original copies of the software; that Eddie Tan also told her that the copy installed in the computer purchase was a pirated copy and no warranty was given for the software; and

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(i) that the respondent/defendant did not provide her with the relevant manuals and certificates of authenticity that would normally be packaged together with Microsoft's original software; and

(j) that she sent the computer that she had purchased to the law firm of Messrs Raja, Darryl & Loh.

[33] The particulars of the respondent's/defendant's acts of infringement are recorded in her report that she submitted to the appellant/plaintiff (exhibited as exh NES1 in Nur Ezza's affidavit).

[34] It is significant to note that that Eddie Tan did not depose any affidavit to refute or to deny Nur Ezza's averments.

[35] And, if we were to examine the affidavit evidence of the computer technician, Izanee Ariffin, we will appreciate that he has averred to the following pertinent facts:

(a) that he was commissioned by Microsoft (the appellant/plaintiff) to conduct an examination on the computer that was purchased by Nur Ezza from the respondent/defendant to ascertain as to whether or not there was any infringement of copyright;

(b) that he conducted the examination on 22 September 2006;

(c) that his examination revealed that the computer purchased from the respondent/defendant was loaded with Microsoft Windows XP Professional and Microsoft Office Professional Edition 2003;

(d) that he had verified that the software's installed were unlicensed; and

(e) that he made a record of his examination in a report (marked as exh JS8 in Jonathan's first affidavit) which he submitted to the appellant/plaintiff.

[36] In my judgment, the computer technician's (Izanee Ariffin) captured screen shots as shown in his report substantiate Microsoft's claim of infringement of copyright against the respondent/defendant. If the computer did not contain any software or DOS as alleged by the respondent/defendant, the computer would not even turn on/boot-up.

[37] Te Peng Keat in his afidavit evidence maintains his shop only sells original copies of Microsoft's products such as Office 97 Professional Edition, Office 98 Second Edition, Office 2000 Premium Edition, Office 2000 Small Business Edition, Office XP Professional, Windows XP Professional, etc; and he further avers that the computer that his shop sold to Nur Ezza on the day on question did not contain any hard disk or disk operating system ('DOS'). However, the difficulty of attaching any weight to his averments is that Eddie Tan, the very person alleged to have sold the computer to Nur Ezza did not affirm any affidavit at all in the proceeding.

[38] In my judgment, the learned High Court judge, with respect, erred when he made the finding that the private investigator, Nur Ezza, had purchased a computer without a DOS and hard disk from the

respondent/defendant. With respect, the affidavit evidence by the respondent/defendant (the affidavit of Te Peng Keat) that the computer was sold to Nur Ezza without a hard disk is incredible. The explanation simply does not make sense. It is elementary that the very essence of a physical computer is the hard disk/hard drive ie where computer data are stored. Nobody sells computers without a hard disk.

[39] In my judgment, if the learned High Court judge, with respect, were to have examined the appellant's/plaintiff's evidence in its entirety (and not just confined himself to the affidavits of Jonathan only), in all probability he would have made a finding in favour of the appellant/plaintiff.

[40] Therefore, I allowed the appeal with costs.

[41] I made an order as prayed for in the statement of claim, which includes an injunction against the respondent/defendant for the infringement of copyright on the terms as prayed, and for general damages to be assessed by the High Court (except that there is no order in respect of para 17.4 which is withdrawn).

[42] Appeal allowed with costs.

Linton Albert JCA:

[43] The appellant is the copyright owner of computer programmes. The respondent sells computers. The respondent sold a computer to one Nur Ezza Saad. The computer sold was allegedly installed with the appellant's software. The respondent did not obtain the consent, license or permission of the appellant for the software installed in the computer which allegedly constituted an infringement of the appellant's copyright. Hence the appellant commenced an action against the respondent seeking various reliefs including an injunction to restrain the respondent from infringing the appellant's copyright. The respondent denied that it had infringed the appellant's copyright and added that since its incorporation in 2000 it had always purchased genuine software from the appellant's authorised dealers. The trial proceeded by way of affidavit evidence.

[44] The appellant relied principally on the affidavit of one Jonathan a/l Selvasegaram ('JS'), the appellant's corporate attorney. JS clearly did not depose to his personal knowledge of the circumstances of the alleged infringement but relied instead on some dubious reports which were unsigned or unattributed to any particular person. In the circumstances, the affidavit of JS fell far short of establishing, which the appellant must, that the respondent had infringed the

appellant's copyright (see *S & F International Limited v Trans-con Engineering Sdn Bhd* [1985] 1 MLJ 62; [1985] 2 CLJ 228). Although the respondent had admitted to selling a computer to Nur Ezza Saad it is elementary that it was not for the respondent to disprove the alleged infringement of copyright.

[45] It stood to reason that since the infringement of copyright attributed to the respondent remained unestablished, there was nothing for the respondent to rebut. The appellant's contention that the respondent's failure to produce rebuttal evidence was somehow of assistance to the appellant's case was clearly misconceived. In the circumstances the majority decision was there was no merit in the appeal which was accordingly dismissed with costs.

Appeal dismissed with costs.

Reported by Kohila Nesan